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Article DOI: <https://doi.org/10.15544/ssaf.2016.13>**INTENSIVE AND EXTENSIVE MODEL OF MANAGEMENT IN THE  
FINANCIAL SYSTEM: EXPERIENCE OF UKRAINE-GERMANY****Yurij Pasichnyk***State Research Institute of Informatics and Economic Modelling, Ukraine***Abstract**

The article analyses the features of the extensive and intensive model of management in a financial system on the example of Ukraine and Germany. The characteristics, priorities and measures implemented by these countries for the period 2010-2015 revealed that starting from 2011 neither extensive nor intensive model exists in a pure form, as all the existing models have features of both with one dominating. It was found out that the measures implemented in Ukraine and Germany for the period 2010-2015 were the most effective and the possibilities of their implementation for each country were disclosed. It was clarified that the most urgent problems for reforms in Ukraine are the problems of corruption, shadow economy and the transition to a new way of governing the financial system, which will focus on a result and take into account possible effects of decisions based on the relationships between branches. It is also advisable to develop an alternative package. It has been proved that it is expedient for Germany to learn from Ukraine's experience of reducing the budget deficit and increasing the flexibility in the German financial system and its credibility and perception of innovations in finance and financial services. The expediency of development of joint Ukrainian-German projects for testing the innovations in the financial system in different situations and accelerating of a successful selection to enhance the financial stability has also been proved.

Keywords: financial system management, budget, financial stability, corruption, social security.

JEL Codes: F30, H11, H21.

**Introduction**

A reliable financial system of any country is a key to its economic and social stability and security. That is why a financial system needs the most attention and should be flexible and react appropriately to changes in both the external and internal environment.

Modernization and development of the financial system and giving the flexibility to it gained a special importance after the crisis in 2009. It was that helped to identify limitations and weaknesses of a financial policy and a system of each country. Governments of all countries have implemented certain measures in this context. In particular, EU countries have moved to a new principle of building of a financial policy based on the principle of the economic growth and the rule "do no harm" (Dauerstädt and Hillebrand, 2013). Ukraine has not left out of this process too, besides the eliminating of effects of the crisis it started to adapt its own financial system to the European standards and this problematic is particularly important taking into consideration the chosen European direction of development and a significant level of globalization of economies.

Considering the importance of the studied problem, it has become the subject of research of many scientists. In particular, special contributions have been made by European and Ukrainian researchers: Bullough, 2014; Chutcheva, 2010; Dauerstädt and Hillebrand, 2013; Manfred and Braun, 2008; Werding, 2014; Schäuble, 2011.

The object of research is management of the financial system.

The aim of research is set of theoretical, methodological and practical principles of management in the financial system.

The goal of research is finding of the best way of financial management at the state level. For that were putted following tasks: to reveal existing of pour intensive and extensive model of financial management of the financial system and efficiency of the each of them; to descry possibility of combining this models.

**Materials and Methods**

During the research the following methods were used: analysis, synthesis, systemic and statistical comparisons. The research is based on data and statistics of Weekly Pension Fund of Ukraine, Ministry of Finance of Ukraine, Bundesfinanzministerium of Germany, Wirtschaftskammer Österreich, Statista, Transparency international, Cabinet of Ministers of Ukraine, Euro Parlament, Eurostat, National institute of strategically researches of Ukraine and the law of EU and Ukraine.

**Results**

Given the urgency of finding an optimal model of management in the financial system at the national level in current conditions, or at least approaching to such a model, it is necessary to ascertain and analyze the characteristics of financial systems in the post-crisis period and the effectiveness of various management practices, including the intensive and extensive ones with distinguishing positive practices and their possible implementation. Compare the

development of financial systems in such countries as Ukraine and Germany. These countries were chosen for analyzing not only because of a different status of their financial systems, but also due to the fact that Ukraine has elected a German principle of the tax system for the baseline and its financial system has many features in common with the German one, in addition the German system is less prone to radical changes, experimentation and innovations and is more conservative, so their comparison is possible and have a proper evidence base (Table 1).

**Table 1. Peculiarities of Financial Systems of Ukraine and Germany in Some Areas Since 2010**

Ukraine	Germany
Medium-term budget forecasting	Long-term strategic planning
Modernization of the accounting system in the state sector	Transition to the budget of the future
Ensuring of the transparency of information about the use of funds	The mandatory transition to electronic accounting
Adaptation of the tax system to European regulations and standards	The development of a flexible system of pension benefits aimed at a decent social security and at the same time the reducing of government expenses in a long term
The liquidity management of public finances and public debt	Protection of contributions of the population and increase of social standards
Reforming of the procedure of quasi-fiscal operations	Reforming in accordance with the IMF (2008)
The development of the public procurement system	Revealing the links between different branches and an indirect influence
Establishment of public access to the information on budget issues	Multivariate impact on the financial system with the purpose of its incentives, particularly by reducing unemployment
Development of Public Internal Financial Control	Legally fixed health insurance and establishment of a special insurance scheme for civil servants
Development of an independent external financial control	Increasing of stability and monitoring of a shadow activity of banks
Reducing of corruption in public finance	Establishment of a flexible project of alternatives with a long-term forecasting
	Implementation of new technologies and financial services
	Reforming of local finances by forming regional associations

Thus, the Table 1 shows that in general the main directions of reforming of financial systems of Ukraine and Germany are similar but ways of their implementation differ significantly. We try to find out what are the differences.

The key directions of reforming of financial systems in both countries are the budget sphere and accounting. For Ukraine they gain a special urgency due to a significant level of the budget deficit and public debt, the need to expend significant financial resources for reconstruction of damaged areas in the east of the state, the army and rehabilitation of victims of military operations, and considering the fact that integration into the European community requires bringing to the international standards in all spheres of economic activity, including accounting.

As for the budget sphere, Ukraine has declared the transition to the system of a medium-term budget planning by the development strategy of public finance management (Cabinet of Ministers of Ukraine, 2013). It was proved that this requires an improving of the methodological basis for a definition of performance indicators for budget programs, particularly in terms of providing a quantitative expression of the expected results of budget programs and their compliance with priorities of the state policy, and the representation by the main managers of budget of the analysis of budget programs and their performance indicators taking into account an updated methodological basis and results of the analysis during forming the plan of activities and budget programs. It should be noted that the impact of these factors will exert further obstacles, because at the end of 2017 an enactment of the Law of Ukraine "On a voluntary association of local communities" is planned that provides automatic reelections of heads of administrations at various levels, as well as association of municipal and district councils, that on the transitional stage will result, for technical reasons, in partial inhibition of work for a period of restructuring of management and combining of homogeneous structural units of different levels, and, in practice, the loss of certain documents. Also in Ukraine the need of transition to the budget oriented on the result has exist for a long time. At present, this process is still ongoing, although significant steps in this direction have been already made.

The major obstacle is a social and economic instability, military events in the East of the country and change of power, as the result some part of documentation has been lost, especially at the local level due to the fact that Ukraine has developed a tradition on which the previous government leaves a post with the part of the documentation, and quite a lot of time was spent on the administrative restructuring. The necessity of the transition to the effect-oriented budget is broadly discussed in Ukraine. No significant steps to implement this idea have been made.

Meanwhile Germany has moved to a long-term strategic planning and budgeting. In general, a strategic plan has been already formed by 2060 (Werding, 2014). Since 2008 a transition to the forming of the budget of the future has begun, which was based on the encouraging of those industries which were the most likely to increase. Reduction of funding for a government was determined as a separate line (while in Ukraine they are increasing (The Law of Ukraine, 2015b), the reduction of subsidies, preference for development and innovation. Such measures in 2011 have allowed

reducing the state budget deficit in Germany in 2.5 times that proves their effectiveness. However, to implement the experience of Germany in this area is necessary after many checks and in-depth analysis as the situation that is still in Germany remains unfavorable. The analysis of the budget deficit on one inhabitant of Germany compared to Ukraine at the same period indicates this (Fig. 1) (Weekly Pension Fund..., 2016; MFU, 2016a; Bundesfinanzministerium, 2016; Wirtschaftskammer Österreich, 2016; MFU, 2016b; Statista, 2016c).



**Figure 1. A Living Wage and the Budget Deficit for 1 Inhabitant in Ukraine and Germany in 2011-2015, €**

(Source: Weekly Pension Fund..., 2016; MFU, 2016a; Bundesfinanzministerium, 2016; Wirtschaftskammer Österreich, 2016; MFU, 2016b; Statista, 2016c)

The experience of Germany is appropriate for Ukraine. In particular, a special weight under shortage conditions gets the reduction of costs of maintaining of the government and the increase at stimulating the economy and a social sphere. The reduction of subsidies and the increase of social standards is also appropriate. It should be noted that subsidies in current Ukrainian realities often do not perform their functions. In some cases they are not a guarantee of adequate standards of living, a means of support in difficult situations or means of acknowledgment of merits towards the state, but provide some privileged position to some categories of citizens, putting others in an unequal position and enriching those who already have a high level of financial security (Chutcheva, 2010).

Thus, in 2014 1686.5 thousand of families appealed for housing subsidies in Ukraine (1510.1 thousand assigned), that is lower than the previous year, while as in December of 2014 the increase of subsidies totaled 60.9% compared to the previous year. Already in 2015 there was a rapid increase in the volume of appeals and appointments of subsidies connected with the growth of utility tariffs. However, there was also an increase in the number of applications from households. In particular, in 2015 in 5.4 times more companies appealed for subsidies for utility tariffs than in 2014 that is about 17.5% of all enterprises in the country. Moreover, 89.3% of all households and small businesses that had applied for subsidies received it (National Institute of Strategically..., 2015).

One of the main reasons for rejection of an appeal to obtain a subsidy was a disparity of declared income to real terms and a lack of a residence registration. At the same time, a large proportion of those individuals and entities who received subsidies, subject to proper verification on the spot, on which a moratorium was imposed were to be deprived of them for the discrepancy of real property to the declared. All this leads to the formation of an excessive load on the state budget and its irrational use.

Also in Ukraine a regulation to which a person receives a subsidy is not declared and in fact there is no verification of meters of those persons receiving a subsidy. Though a subsidy was to be given for a certain number of resource units, installed on the results of expert assessments for each location or type of accommodation, this confirms weaknesses in a public financial management. High rates are a common practice for developed countries but an adequate standard of living and the ability to pay should also be ensured. Under such conditions, rates play a stimulating effect. The citizens themselves choose what is more profitable for them: to replace old taps and save on water supplies or pay more for the service, turn off the light and switch to energy-saving technologies, or pay more for the use of electricity. Under conditions of a large number of subsidies such incentive is lost. There is no formation of the psychology of thrift and a global financial thinking of the population, because no one is concerned about the amount of water spilled in vain from a tap. At the same time, these expenses must be repaid by the people who pay a full cost of services, it results in raising rates and increasing the number of benefit recipients, which is unacceptable in crisis and the formation of an European-style management. At the same time, the transition to a long-term planning in Ukraine is impossible for objective reasons.

As for accounting, Ukraine has implemented the following measures: an implementation of standards; a development of methodic recommendations to introduce national accounting regulations in a public sector; a review of a regulatory and methodological support for the implementation of operations of the budget execution according to the changes in the accounting system in a public sector; an approval of the plan of accounts in a public sector and instructions for use; an establishment and monitoring of an integrated information-analytical system of public finances. Meanwhile the work on the introduction of new standardized forms of financial statements that comply with

international standards is carried out; ensuring of the cooperation with the International Federation of Accountants regarding the translation of international accounting standards in a public sector and their promulgation. Thus, the reform is primarily aimed at the identifying of shortcomings in the existing accounting system, the harmonization of a regulatory framework and bringing it into compliance with international standards (Cabinet of Ministers of Ukraine, 2013). Significant innovations in the field are not provided.

Meanwhile in Germany the main task is a complete transition to the electronic accounting and the reporting that, in particular, will save money in both a private and a public sector (*Grundsätze zur ordnungsmäßigen...*, 2014).

In Ukraine, conducting of the electronic accounting is optional. The transition to such accounting is appropriate, but in current conditions cannot be global, as there are many areas, especially in small villages and towns, where the internet access is very difficult for technical reasons.

Another area of reforming is ensuring of the openness of information about the use of funds, which began to implement from 2015 under the Law of Ukraine (2015a). For Ukraine, this practice is rather new. Some measures were immediately suggested for it. One of these was the formation of public budget and a global platform for its implementation supported by the EU (*About the Project...*, 2016). But now this practice is not common because it is not mandatory. Also, the platform is in a test mode and has a large number of controversial functions and inconveniences for the development and understanding of user reports. Another measure was a creation of a system “ProZorro”, that provides coverage of the government procurement of different levels and tender procedures (more than 1.5 mln. UAH.) (*ProZorro Is a Pilot Project...*, 2016). It is through the introduction of such measures Ukraine may receive a grant from the European Parliament for creating a center of administrative services of the European type in Volyn, Lviv and Rivne regions, in particular, much of it is funded by a German side within a thematic program of 2014 “Local authorities: Strengthening of the contribution of local authorities in the governance and development” according to the Framework Agreement between the Government of Ukraine and the Commission of the European Communities (2006). In the context of the reform of the public procurement at the implementation stage are also unification of a legal regulation of a public-private partnership and concession contracts as special legal and economic relations between public and private sectors of the economy and ensuring of the interaction with business circles, the public, to prevent unscrupulous actions of customers and bidders.

Additional measures in this direction is to provide publicity, which is realized through: a proper organizational support of the Public Council under the Ministry of Finance; the promotion of public examination of laws and regulations on the budget; systematic public consultations with the publicity on the formation and implementation of public finance and budgetary policy; providing a public access to the annual report of anti-corruption of the Ministry of Justice; the establishment of functioning of the integrated information-analytical system “Transparent Budget” as a part of the Information System of Financial Management (ISFM) within the framework of a joint World Bank project “Modernization of a public financial management”, providing a public access to this system on the official website of the Ministry of Finance (Cabinet of Ministers of Ukraine, 2013). Another step in this direction was granting the right of access to a public information, which is realized in the form of queries, the answer to be provided in a paper or electronic form (at the applicant’s discretion) within 7 working days. A positive aspect is that such a request can be drawn by any citizen of Ukraine regarding any government body or public institution. It is obligatory to publish budgets and budgets of development of both national and local, in the public domain, including an electronic form on a website of relevant authorities that provides additional transparency and allows a community to influence the formation of these budgets. Although such measures were declared, not all of them have been effectively implemented in practice. Particularly there is a problem of the effective communication with the public. Often there is a rejection by citizens of the information provided by authorities of different levels and this in its turn impedes the work of the latter and does not allow the community to realize its functions. Therefore, an important task for public services in modern conditions is a creation of two types of reports: a classic statement and report, focused on the public and accessible to it. Only under such conditions transparency and the effective participation of all population groups in the formation of the state budget can be ensured.

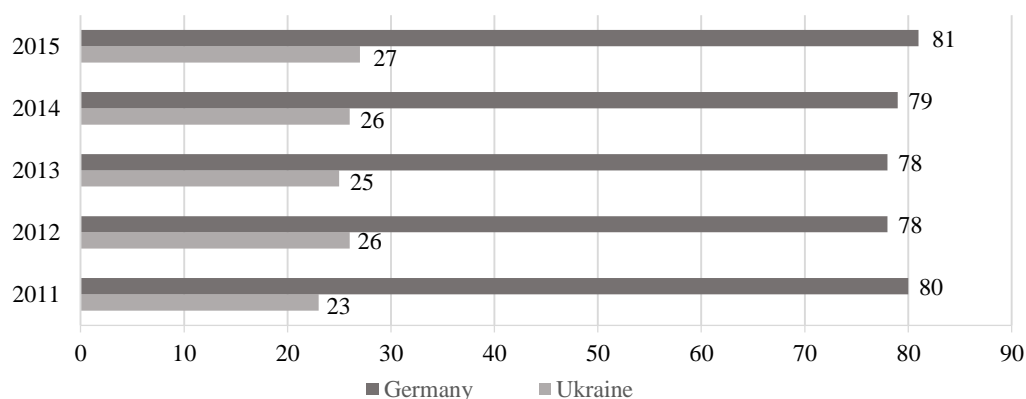
There are similar management techniques in Germany for a long time and they confirmed their effectiveness. However, there are other problems connected with them. Particularly, a high level of distrust of the population to new types of the management, including a document flow and understated cost estimates in the preparation of estimates. This leads to the fact that the actual cost of the project is much higher and requires additional resources, and therefore the time for the project. Considering the openness of information about money spent, this system of budgeting often causes dissatisfaction among the population and non-government organizations.

As to the tax system it should be noted that in both countries, they have common features and are built by one model, but the Ukrainian system is somewhat unstable and could not solve the problems that were successfully resolved in Germany in the early 2000s. In particular, the problem related with the incompatibility of programs and systems of processing and storage of electronic declarations, which takes place in Ukraine. It should be noted that by using different programs there is a loss of the part of documents in the result of the conflict of the system or due to the fact that the updated program that was not properly tested, loses a part of a text document, or unloads it at all. At the same time, Ukraine has a low level of control over the functioning of such bases. The evidence of this is the fact that from 6 to 11 December of 2015 in the database of State Fiscal Service there was a crash, resulting in the loss of more than 3 terabytes of information, or about 531 thousand of electronic documents. Thus, the order to conduct checks was signed only on February 3, 2016, which actually led to the risk of a potential loss even greater amount of information (Because of the Six-Day..., 2016). All this indicates about significant shortcomings of the financial management in this field.

Therefore, at the present stage to align the Ukrainian tax system to European standards the Strategy (Cabinet of Ministers of Ukraine, 2013) provides the following measures: an abolition of tax exemptions for certain enterprises and industries; an increasing the tax rates for air emissions of carbon dioxide; a transition to the taxation of real property facilities based on costs; a reduction to five days of the term of a cameral inspection for budgetary compensation of VAT to the taxpayers with a positive tax history for the last three years; increasing of the share of VAT, that will be compensated automatically in a total budgetary compensation; balancing the interests of controlling authorities and taxpayers; an introduction of legal instruments for the implementation of the principle on a commercial basis (the principle “at arm’s length”). Although some steps in this field were done, but failed to fully achieve desired results in any direction. A significant progress is observed only in VAT refunds. At the same time typical for developed countries the taxation of real estate by the estimated value in Ukraine remains only the declared desire despite numerous expert opinions.

Many scientists in Ukraine proved the need of the transition to a formation of the budget of efficiency, and the need for a reasonable system of a financial control both internal and external for this implementation. In view of this the Strategy envisaged: an extension of audit powers of the Accounting Chamber to ensure an effective control of public finances by introducing amendments to the Constitution of Ukraine; the development and adoption of a new wording of law on the Accounting Chamber to clarify a status of the Accounting Chamber as the highest authority of the external audit of public finances, and expanding its powers of monitoring a revenue side of a state budget, receipt and use of local budgets, a preservation and use of state property, the audit of public enterprises and the introduction of the audit of accounts, internal controls and the confirmation of annual financial statements and budget statements of the main administrators of budget funds; developing in a new version of standards of the Accounting Chamber audit of public finances, harmonized with the standards of the International Organization of Supreme Audit Institutions (INTOSAI) and the best European practice; training for managers and employees of public institutions and departments of the internal audit on internal controls, including a financial management, responsibility (accountability), and the internal audit; providing of explanatory and advisory support on the internal control and internal audit; Methodical recommendations on the improvement of the internal control by managers of budgetary funds in their institutions and in subordinate budget institutions on the financial management responsibility (accountability) of a head; preparing a legal act on the organization of the internal control, including a financial management and control and responsibility (accountability) of a head of a budget organization; an analysis / review of normative legal acts on the internal audit; an establishment and realization of monitoring of a single automated database on results of internal audit units of ministries and other central executive authorities by harmonization units; participation of the harmonization Unit in boards of public authorities to review results of internal audit units; preparation of a reporting form on a performance of internal audit units; determination of the order of realization of the internal audit by the division of the harmonization of a quality assessment of the internal control (Cabinet of Ministers of Ukraine, 2013).

Although the Government of Ukraine declared these measures, their implementation in practice turned out to be insufficiently effective. This is confirmed by a level of the shadow economy in Ukraine, cases related to corruption of public officials, through which an international community has recognized the Ukrainian corruption among public officials a kind of a cultural phenomenon (Bullough, 2014), while in Germany the level of corruption is also quite high. According to the official data of a statistical portal in total 21,881 acts of corruption in 2014 were recorded in Germany that is there was an increase compared to 2012 and 2013, while in 2011 such acts were registered much more – 48,292 (Statista, 2016a), but the Corruption Perceptions Index in Germany over the years remains in times higher than in Ukraine (Fig. 2).



**Figure 2. The Corruption Perceptions Index in Ukraine and Germany in 2011-2015, % (The More the Better)**

(Source: Transparency International, 2016; Statista, 2016a)

Thus, the Ukrainian system of a financial control is not effective enough and fragmented, and measures of its reformation are carried out inconsistently, that greatly reduces their effectiveness. At the same time, the system of a financial control has paid its way and it is advisable to implement it with the adjustment on national features in the reality of Ukraine.

As for a public debt management, the efficiency is in the following measures: an expansion of a list of target indicators, which will increase a level of control in the management of the public debt; an increase of an average maturity date of the public debt as a result of a long-term debt; an introduction of restrictions limiting the volume of the internal debt denominated in a foreign currency; the defining of the principles and the procedure of formation of the government debt management strategy for a long period that will be aimed at the ensuring of the stability of the financial system and reducing its vulnerability to the impact of financial shocks; improving of a regulatory framework on the ensuring of the tasks on the formation of a long-term government debt management strategy; establishing of additional target indicative restrictions on contingent debt obligations in the sphere of a public debt in a medium and long term (limitation of state guarantees 5% of revenues of the state budget for a year starting with 2016, etc.); development of a methodology for assessing an impact of contingent debt obligations in the sphere of a public debt in a medium and a long term; working toward a consolidated management of funds of the Pension Fund of Ukraine and funds of the obligatory state social insurance; consolidation of funds of a general government sector in a single treasury account to enhance a liquidity management, risk control during a placement of temporary free funds, quality of forecasting; a completion of the implementation of a fully functional single software; an improving of a regulatory framework in order to enhance the state budget realization by establishing the integrated information-analytical system of management of a single treasury account, which will help to improve the management of budget funds (Cabinet of Ministers of Ukraine, 2013).

A significant part of these measures is under the implementation. At the present stage their effectiveness is not proven, due to the instability of the economic system of Ukraine, caused by events in the Donbass.

Another measure to reduce the budget deficit in Ukraine is a reforming of a procedure of quasi-fiscal operations. This provides the following measures: tightening the control over quasi-fiscal operations by specifying such transactions and organs of government, on which the implementation of measures to limit them relies; an improvement of a regulation of quasi-fiscal operations; an improvement of a method of accounting of quasi-fiscal operations of the general government sector; the implementation of special reporting forms for subjects of quasi-fiscal operations, which should display the list of goods and services that they realize / provide on behalf of organs of government, and a financial result of such transactions; a compiling and publication of information about quasi-fiscal operations; including of an information on quasi-fiscal operations into budget documents to be filed with a draft of the budget during its adoption (Cabinet of Ministers of Ukraine, 2013). Not all of these measures were implemented. In particular, this is due to a deferral of many economic reforms which directly or indirectly affect them, and these processes need another adjustment to the Budget Code, that under current conditions may have a negative effect.

Meanwhile in Ukraine the level of social security is not sufficient, as the basis for calculating of payments of all kinds is a living wage, which in 2016 is 1387 USD as of 01-04.2016, 1450 USD as of 05-11.2016, and 1600 as of 12.2016 (The Law of Ukraine, 2015b), that is about 49, 51 and 57 Euros respectively (Fig. 1), while the surplus of a pension fund in 2016 is in the amount of 840.6 billion UAH (Cabinet of Ministers of Ukraine, 2016).

The level of a pension provision is too small and actually does not allow providing basic needs of people, especially in view of the increase in utility tariffs. At the same time in Germany the approach to this problem is more practical. The country has developed a flexible pension system, guaranteed by the state. Such pensions are reviewed for various age groups: 60, 63 and 65 years. It also provides a separate type of pension - a pension for housewives. By the introduction of such a system it has a long-term effect (Table 2) (Werdning, 2014).

**Table 2. Effectiveness of Adoption of a Package of Pension Reforms in Germany and Their Impact on a Financial Burden on the Pension Fund - Basic Version**

Period	The pension upon reaching the age of 63	Pension for housewives	Disability pension	Rehabilitation services	Pension package as a whole	Public funds	A number of pensions
Additional costs / contributions for funding in % to annual pension costs (without accepting a package of reforms)							
2014	0.2%	1.3%	0.0%	0.0%	1.5%	0.0%	0.0%
2015	1.0%	2.6%	0.1%	0.1%	3.7%	0.6%	-0.4%
2016	1.2%	2.6%	0.1%	0.1%	4.0%	0.6%	-1.0%
2017	1.2%	2.6%	0.2%	0.1%	4.0%	0.7%	-1.2%
2018	1.3%	2.5%	0.2%	0.1%	4.0%	0.9%	-1.4%
2019	1.2%	2.5%	0.2%	0.1%	4.0%	1.1%	-1.6%
2020	1.2%	2.5%	0.3%	0.1%	4.0%	1.2%	-1.6%
2025	1.1%	2.4%	0.4%	0.0%	3.9%	1.0%	-0.8%
2030	1.0%	1.9%	0.5%	-0.1%	3.3%	1.2%	-1.3%
2040	0.9%	0.9%	0.4%	-0.2%	2.0%	1.0%	-0.7%
2050	0.7%	0.4%	0.4%	-0.2%	1.3%	0.9%	-0.5%
2060	0.7%	0.1%	0.4%	-0.2%	0.9%	0.9%	-0.4%
Until 2020	1.0%	2.4%	0.2%	0.1%	3.6%	0.7%	-1.0%
Until 2030	1.1%	2.3%	0.3%	0.0%	3.7%	0.9%	-1.0%
Until 2060	0.9%	1.3%	0.4%	-0.1%	2.4%	0.9%	-0.8%

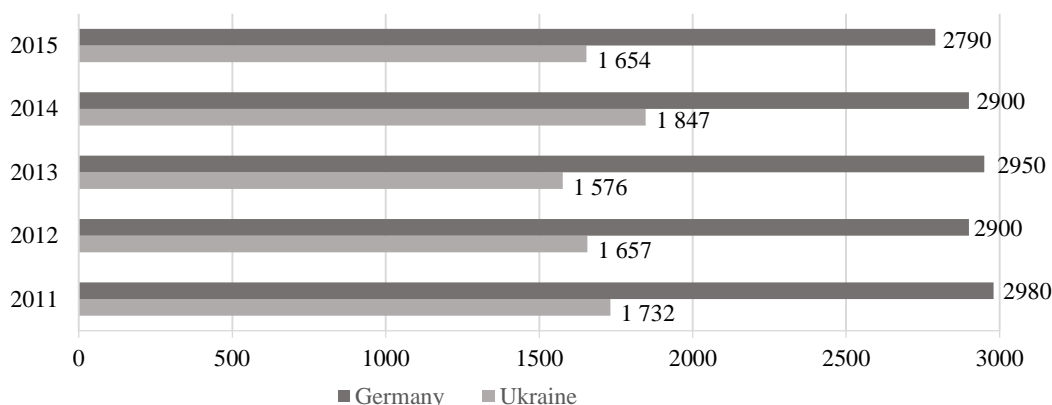


There is also a permanent mode of rising of social standards and the development of new schemes of a social support of population. An example of such measures is the development of a separate system of social security for civil servants.

In Germany much attention is paid on reforming a banking system as one of guarantors of a financial stability of the state. For this by 2010 a procedure that through a payment system 'banking services' to stabilization fund should provide a funding of unstable or failing banks has been developed. Another measure was an introduction of a multivariable control for a shadow banking sector as a lot of banks were created in a form of temporary institutions designed to accumulate funds at competitive rates for customers which stopped their activities for various reasons, failing at the peak of a flow of deposits. For an efficient detection and decrease of systemic risks of the shadow banking and a solution of the problem of the regulatory arbitrage the control of all operations that directly or indirectly are related to the mechanism of lending outside a traditional banking system was implemented (Schäuble, 2011). Though such measures are effective, they were not enough as they are not directed at a classic banking system. The international scandal in 2012 related to the collusion between international banks, including abuse of the largest German state bank Deutsche Bank with the interest rates Libor and Tibor proves this fact (The Expert, 2012). Although some elements of this practice would be expedient to introduce in Ukraine due to numerous frauds in the banking system, including recapitalized banks (TNS, 2012).

Germany also has been actively cooperating with the IMF and since 2008 trying to comply with all its requirements and standards. Attempts to adapt a national economic system to the requirements of the IMF have been continuing for a long time in Ukraine, which is dictated not only by the requirements of time and a chosen path of the development, but also the requirements of the IMF for a further lending. But such requirements are not justified in the present situation of Ukraine, which was confirmed by experts of the IMF and recognized the expediency of violation of their prescriptions (Obozrevatel, 2014).

In recent years Germany has moved to a new way of management – the management by forming complex global linkages between sectors. It can be divided into the following stages: identifying the links between sectors, a multifactorial effect on a financial system and a formation of alternatives. The first stage involves the identifying of direct and indirect linkages and impacts on different industries and processes taking place in financial and social spheres of the country. This helps to better understand principles of its functioning and ways to solve problems and improve the effectiveness of the management. The impact on a financial system at once on all the identified links in solving of a particular problem in a particular area is carried out at the second stage. This allows solving the problem quickly, efficiently, comprehensively for a long time and predicting the situation of a certain area in the future, to avoid mistakes in future periods and simultaneously improve the situation in related fields. But it should be noted that this system is justified not in all directions. In particular, regarding a level of unemployment in the country, at first glance the Ukrainian extensive system appeared to be more effective (Fig. 3).



**Figure 3. Unemployment in Ukraine and Germany in 2011-2015, ths. ppl.**

(Source: MFU, 2016b; Statista, 2016b)

At the last stage a package of alternatives and possibilities of the development of the selected area under different conditions in a short and long term, is formed on results of monitoring and researches (Werdning, 2014). It allows not only to find new ways that were previously inaccessible, but quickly orientate in conditions of social-economic changes and move to a final management model with a forecast for the future without spending an extra time and resources for planning and without restarting a financial and administrative system. In modern conditions of instability of Ukraine such approach to the management and strategic planning would allow not only increasing of the efficiency of functioning of all systems, a rational use of budgetary funds, but also to stimulate the economic system and prepare behavioral patterns in case of force majeure, which is extremely important at the present stage.

Germany is actively involved in the implementation and use of a modern technology in a financial system, including NFC and terminals for generating and purchasing Bitcoin. But Germany due to the certain conservatism is the last EU country acceding to such technologies (F.A.Z., 2012), which has quite a negative impact on the perception of its financial sphere by foreigners and certain limitations in a financial freedom of people. Processes of the implementation

of such technologies in different spheres of life and management are continuing in Ukraine as well, but they are not always regulated by normative legal acts. There is often an introduction of technologies and then a development of an appropriate legal framework for its implementation, which reduces the efficiency of the latter.

As to reforms of a sphere of local finance, Ukraine goes the same way that Germany has chosen 6 years ago - the association of local communities and their financial resources into local communities to improve the efficiency of these resources as both in Ukraine and in Germany it turned out in practice that small territorial entities do not have enough money to fully finance itself. But in Ukraine this process has recently begun, including the projects supported by the Council of Europe (The Law of Ukraine, 2015c).

Lately much attention is paid to a fight against corruption in Ukraine. This context includes: the analysis of performance indicators of an external independent audit in monitoring of use of funds from local budgets; an improvement of a mechanism of use of budget funds in the implementation of national programs of an economic, scientific, technical, social and cultural development, protection of the environment; a conducting of the consultations joint with the public and the steps to develop and implement measures to prevent corruption in a sphere of public finances; local government bodies in a permanent mode carry the opposition to shadowing of wages and its minimization through the implementation of weekly seminars and discussions, meetings with enterprises-minimizers, government bodies, social services, and representatives of the State Fiscal Service (it should be noted that such measures are quite effective and a significant part of minimizers begins to pay at least minimal wages); a coverage in the mass media of results of inspections of using of a state property and budget funds and an improvement of a public feedback on the reports about irregularities in a public sector; an establishment of criteria for recruitment of the tax and customs spheres, and the sphere of public procurement. However, the implemented measures are not effective enough, because a level of corruption, especially among civil servants in Ukraine is one of the highest – in 2015 the country ranked the 130th place of 167 for the Corruption Perceptions Index CPI (Ti-Ukraine, 2015).

Germany also had a similar problem but it was solved by the implementing a number of measures, including a substantial limitation of opportunities for civil servants in conducting shadow and corrupt activities through a foresight of a full personal responsibility for the violation of legality of actions and official duties, and the development of internal anti-corruption codes for institutions (Europäisches Parlament, 1998; Manfred and Braun, 2008). It should be noted that such measures would be expedient to introduce in Ukraine.

The coalition agreement only at the present stage involves Ukraine's transition to European standards such as the introduction of a system of an internal control and audit in accordance with EU standards; the implementation of the methodology "European System of Accounts 2010" in Public Finance (Eurostat, 2010).

At the same time, Ukraine has developed a unique system of a kind [igov.org.ua](http://igov.org.ua), which provides public services via the Internet, communication of a user with banks and his universal identification in the network for any purpose that can use a binding' to iGov. On the basis of this technology many centers providing information and administrative assistance are created as well as local management systems and systems of communication of the community, based on the identification of people. This system is dynamic and allows adding of new services. It is perspective and actually free that makes it a good starting platform for many financial projects and helps to spread modern technologies in the economic sphere, to make services more convenient and accessible (About the Portal iGov, 2016). The experience of the introduction of atypical and experimental financial technologies would be expedient to implement in Germany.

## Conclusions

In modern conditions the notion of an extensive management of any process, including a financial topic, is considered to be a relic of the past, in particular, a command-administrative system. At the same time an intense model is a sign of a progressive development. However, as it turned out in practice, there is no either an intensive or extensive management model of a financial system in pure form. Usually they have features of both with one dominant. The study proved that under certain conditions, the extensive management model can be more efficient and effective, and that in practice it is necessary to combine these two models on the condition of a permanent control for the achievement of maximum results. In view of common features of financial systems of Ukraine and Germany it is advisable to implement in Ukraine the German experience in the following directions: a transition to a long-term planning with a development of a package of alternatives for a short and a long term; an increase of social standards and welfare of the population; an identifying of links between different sectors and a development of complex methods of stimulation focused on the discovered links; an introduction of new multifactorial measures against corruption and a shadow economy; reforming of the system of local finance. As for Germany, it would be effective to implement the Ukrainian experience of reducing a budget deficit and the increase of flexibility of a German financial system and its credibility and perception of innovations in finance and financial services. In the context of reforming it will be appropriate to develop joint Ukraine-German projects to test innovations in different situations and accelerate a successful selection. Future researches are advisable to focus in this area because it is less explored, but the most promising not only in the context of a development of financial systems, but also in ensuring of their stability.



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